Banking

Monthly Report on Banking and the Financial System

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1. Banking and the Financial System

Growth in traditional bank deposits slowed in February

In February 2025, the balance of traditional bank deposits (demand + term) registered a real annual variation of 4.8% (8.8% in nominal terms), a figure lower than the growth observed in January (of 6.5% in real terms) but equal to the average observed in 2024 (4.8% in real terms). Both sight and term deposits slowed their growth, and in February, the former contributed 3.7 percentage points (pp) to the overall growth of traditional deposits, while term deposits contributed 1.1 pp to the dynamism of the second month of the year. The dynamism of traditional deposits also shows a slowdown when the accounting effect of the depreciation of the exchange rate is discounted. If this effect is discounted, the real growth of traditional deposits went from 4.0% in January to 2.4% in February 2025.

In the second month of the year, sight deposits registered a real annual change of 5.8% (nominal growth of 9.8%), lower than the real growth recorded in the immediately preceding month (IPM, 6.7%). With this result, sight deposits achieved a higher real change than the average recorded in 2024 (3.5%). Sight deposit balances by type of holder continued to show a mixed performance. In the case of individuals (45.2% of total sight deposits), the real annual growth rate remained unchanged from that of the IPM (6.4%). The balance of sight deposits of companies and the non-financial public sector increased its dynamism from 8.8 to 9.7 % from a real annual rate in the first case and from 2.4 to 4.5 % in the second case in comparison with January. In contrast, the sight balances of other financial intermediaries recorded a significant reduction in their dynamism, from a real increase of 2.2% in January to a decrease of -16.4% in February 2025. In the case of the private and non-financial public sectors, the greater dynamism of demand balances is associated with a reallocation of resources towards more liquid instruments in an environment in which deposit rates continue to fall.

The dynamism of term deposits declined in February 2025, with a real annual growth rate of 3.1% (7.0% in nominal terms), lower than the 6.2% observed in the IPM and the average of 7.3% in 2024. The loss of momentum is also observed if the accounting effect of the exchange rate depreciation is excluded, since, controlling for this effect, the growth of term deposits fell from 3.7% in January to 0.6% in February. In this case, all segments by type of holder slowed down in February compared to the previous month, mainly in response to the decrease in interest rates. In particular, the term savings of individuals experienced a greater slowdown from a real annual variation of -1.9% to -2.6%, while the holding of term instruments of companies experienced a greater decline from a real rate of -1.1% in January to -2.3% in February. The term balances of the non-financial public sector also registered less dynamism, going from a growth of 19.9 to -11.7% in the same period of comparison, while non-bank financial intermediaries reduced their holdings of term instruments in such a way that their real annual growth rate went from 47.1% in January to 35.0% in February.

Going forward, we should expect to see a further increase in term deposits, as lower interest rates have an impact on the holdings of the non-financial private sector. In addition to this, the slowdown in economic activity is beginning to be reflected in different indicators associated with the income of companies and families, which would be reflected in a greater slowdown in the face of the potential use that agents would be making of accumulated savings.

Outstanding credit to the non-financial private sector remains buoyant

In February 2025, the outstanding loan portfolio balance granted by commercial banks to the non-financial private sector (NFPS) registered a real annual growth of 10.3% (14.5% nominal), marginally lower than that recorded in the IPM (10.4% real), but still above the average recorded in Q4 24 (8.2% real). At the rate of real annual growth in February, credit to companies contributed 6.1 pp, while the consumer and housing portfolios contributed 3.5 and 0.7 pp, respectively. As has been the case over the past nine months, the real growth rate of credit balances incorporates the accounting effect of exchange rate depreciation. When discounting this effect, the trend remains in the same direction, going from a rate of 7.8% in January to 7.7% in February.

In the second month of the year, outstanding consumer credit reached a real annual growth of 14.3% (18.6% nominal), slightly lower than the dynamism recorded in January (when said real growth was 14.6%). The credit segment for the acquisition of durable consumer goods (ABCD, 20.7% of consumer credit) continues to be the main source of dynamism, contributing 7.0 pp to the real annual variation of the current portfolio in February. In addition to the base effect associated with the acquisition of a Sofom E.R. last April, it is worth noting that in February 2025 the two segments that are part of this portfolio (automotive and movable goods) have increased their dynamism, reaching an average annual real growth rate of 42.3% in the first two months of the year, higher than the 39.0% average recorded in the second half of 2024.

The second segment with the greatest contribution to growth in February was credit cards (36.5% of outstanding consumer credit), whose balance increased 10.0% in real annual terms (14.1% nominal), maintaining the same dynamism with respect to the result observed in January and maintaining a double-digit rate after the relative slowdown observed in 2H24 (a semester in which average real growth was 8.0%). In that month, the contribution of this segment to the dynamism of consumer credit was 3.8 pp.

In addition, payroll and personal loans registered a real annual variation of 5.5 and 10.1% (9.5 and 14.3% nominal, respectively), reducing their dynamism compared to January. With February's result, payroll and personal loans together contributed 3.0 pp to the real growth of outstanding consumer credit. Payroll loans (23.2% of consumer credit) grew at a real rate of 5.5%, lower than the 5.8% growth observed in January. In the case of personal loans (14.9% of consumer credit), their current balance also moderated its dynamism, registering a real annual growth rate of 10.1%, below the result achieved in January of 10.8%. Despite this slowdown, real growth in both segments remains above the average recorded in Q4 24 (4.8% and 9.1% respectively).

Although job creation has slowed, wages have grown at a real pace of close to 4%, and real wages have risen by around 66% since 2019. This has resulted in a growth in the real wage bill of 37% in the same period, which continues to sustain the growth of consumer credit.

Outstanding loans for house purchase (21.2% of outstanding loans to the NFPS) registered a real annual growth rate of 3.0% (6.9% in nominal terms) in February, which is less dynamic than that observed in the IPM, when this rate was 3.5% (7.2% in nominal terms). February's result reflects the slowdown in the two segments that make up this loan portfolio (acquisition of subsidized housing and middle-income residential housing). In the case of outstanding loans for subsidized housing, the contraction that had been taking place deepened, with outstanding loans falling by -6.3% in real annual terms in February, more than the -1.2% annual rate recorded in December. For its part, credit for middle-income residential housing reached a real annual rate of 3.4%, below the 3.7%

reported in January, but remaining at the same level as the average observed throughout 2024. This moderation in the dynamism of the mortgage portfolio reflects the lower dynamism of the indicators of formal employment and wages.

Corporate performing loans (54.8% of the NFCS performing loan portfolio) grew by 11.6% in real terms (15.8% in nominal terms) in February, maintaining double-digit growth for the second consecutive month. By sector of activity, the services sector remains the main driver of dynamism, contributing 7.8 pp to the growth rate of the current business portfolio in February. This was followed by loans to manufacturing and construction, which contributed 1.6 pp and 1.2 pp, respectively, to the overall dynamism of the business portfolio. The acceleration in the first months of the year in both portfolios stands out, in particular the real annual growth rate of loans to the construction sector was 7.5%, higher than the average real growth rate in Q4 24 (1.9%), while the real annual growth rate of loans to the manufacturing sector reached 8.1% in February, also higher than the average of 1.8% in Q4 24.

In terms of currency composition, it should be noted that the outstanding portfolio in local currency (D.C. 73.1% of current credit to companies) achieved a real growth of 5.6% in February, higher than the 5.4% reached in the previous month. For its part, the current portfolio in foreign currency (F.C.) grew at an annual rate of 32.6%, discounting the effect of inflation. However, excluding the accounting effect of the exchange rate depreciation, it registered an annual rate of 9.6%, lower than the 10.2% growth observed in January, but still higher than the average dynamism observed in Q4 24 (of 9.2%). For the total portfolio, when adjusting for the accounting effect of the exchange rate, a more moderate growth is observed, since growth would go from a real annual rate of 11.5% to 6.7%, the same as observed in January. Thus, the accounting effect of the depreciation of the exchange rate continues to have an upward impact on the registered dynamism of the portfolio, so that, by January 2025, this accounting effect explains 43% of the dynamism observed in the month.

One possible explanation for the dynamism observed in business loans in the first two months of the year could be higher demand for exports, as purchases in the US were brought forward in the face of the threat of tariffs. In January, imports from the U.S. increased at a record year-on-year rate of 26.0%, and those from Mexico, in particular, grew 12.0% year-on-year.

This advance in demand in an environment of lower revenues due to the slowdown could influence, in turn, a greater demand for financing. Indeed, in an environment of slowdown, defined as annual IGAE growth rates in negative territory and annual employment growth rates below 1.0%, the median annual growth of business loans is 4.0% in real terms over the period 2010-2025. However, the growth rate of this segment has averaged 11.5% in January and February 2025, which places it in the highest 10% of the observations under the aforementioned conditions in the last 15 years.

2. Financial markets

Financial market movements signal the end of US exceptionalism

According to a survey by a US financial institution, seven out of ten fund managers considered that the exceptionalism of US assets, expressed in increases in stock indices and the dollar, reached its highest point last March. And the data has confirmed that expectations have been met.

Since April 2, the day on which the reciprocal tariffs were announced by the Trump administration, practically all U.S. financial assets have presented a negative performance, in an environment of high global risk aversion, expressed by the levels of up to 52% of the VIX index on April 8.

Between April 1 and 22, the main stock indices in the US registered falls of between 6.0 and 6.7% with significant declines not only for technology stocks, but also for stocks more related to the economic cycle (e.g. Russell 2000), which also reflects the change in expectations towards a context of economic slowdown.

In this context, it is worth noting that a hard landing has suddenly become the main scenario for the global economy, as in March only 11% of top fund managers believed this to be the case, while in April this figure rose to 49% according to a survey by a US financial institution. It is worth recalling that in March, the soft landing scenario was the main scenario mentioned by 64% of respondents.

In the case of the dollar, the fall has been abrupt and widespread. Between April 1 and 22, the US currency registered a decline of 5.1% against the currencies of developed countries and 1.1% against the currencies of emerging market (EM) countries. This weakness of the dollar has influenced the Mexican peso to appreciate 3.6% in the period in question, and the exchange rate to be below 19.7 pesos per dollar.

The fixed income market has also seen a loss of appetite for US instruments. Despite expectations of three cuts in the federal funds rate, the yield to maturity on the 10-year Treasury note rose 23 basis points (bps) between 1 and 21 April, while the 30-year bond rose 35 bps. The lower demand by investors in the primary market in the latest auctions of treasury bonds has also been relevant.

It is worth noting that the sell-off in US assets has intensified significantly in recent weeks following the US President's comments about his preference for lower interest rates and subsequent attacks on the Fed Chairman. These movements suggest that market participants see a significant and not low-probability risk that the independence of the US central bank could be compromised.

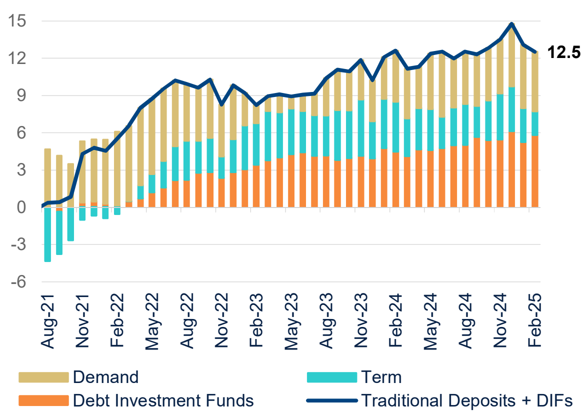
This context of the imposition of tariffs, pressures on the US central bank, but in general of a change that seems structural in the way economic policy decisions are made in the US has raised doubts about the risk-free status of US instruments.

In contrast to other risk episodes, where the source of volatility was also the US economy (e.g. the 2008 financial crisis), this time it has been assets such as gold, currencies such as the yen and the Swiss franc, and fixed income instruments such as the German Bund that have seen the greatest demand in the current environment of heightened uncertainty.

In short, the uncertainty unleashed by the decisions of the new US administration and, above all, to what extent these decisions present a structural change, have initially generated a change in the allocation of risk assets by investors in favor of assets other than those of the United States. At the moment, there are no indications that the outlook will change significantly in the short term, so the continuation of high volatility is the most likely scenario.

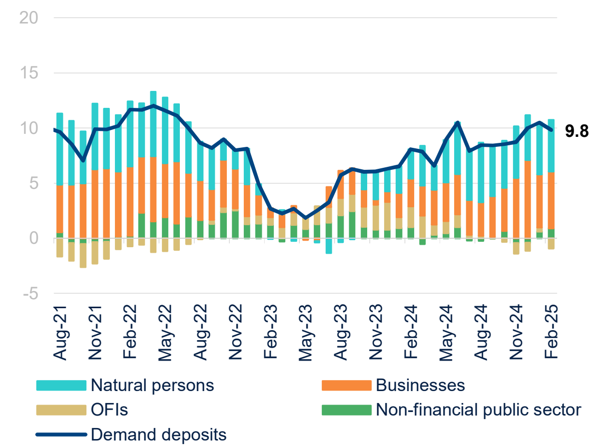
Deposits: figures

Figure 1. **COMMERCIAL BANKING DEPOSITS (NOMINAL ANNUAL CHANGE, %)**



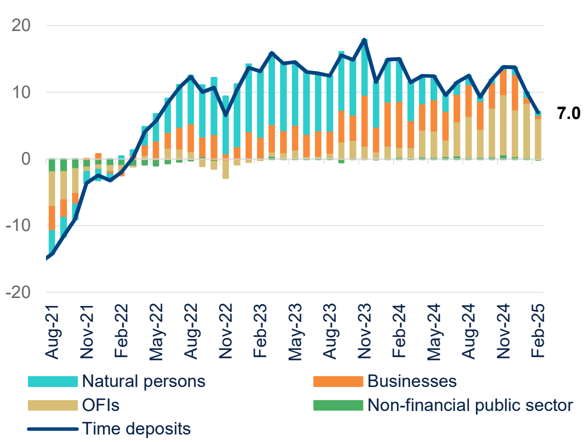
Source: BBVA Research based on Banxico data.

Figure 2. **SIGHT DEPOSITS (NOMINAL ANNUAL CHANGE, %)**



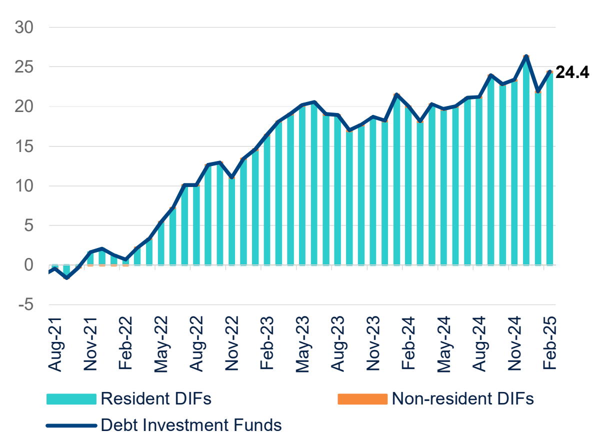
Source: BBVA Research based on Banxico data.

Figure 3. **TERM DEPOSITS (NOMINAL ANNUAL CHANGE, %)**



Source: BBVA Research based on Banxico data.

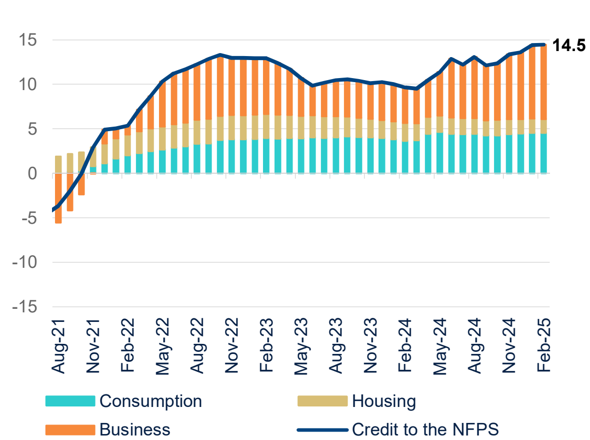
Figure 4. **DEBT INVESTMENT FUND SHARES (NOMINAL ANNUAL CHANGE, %)**



Source: BBVA Research based on Banxico data.

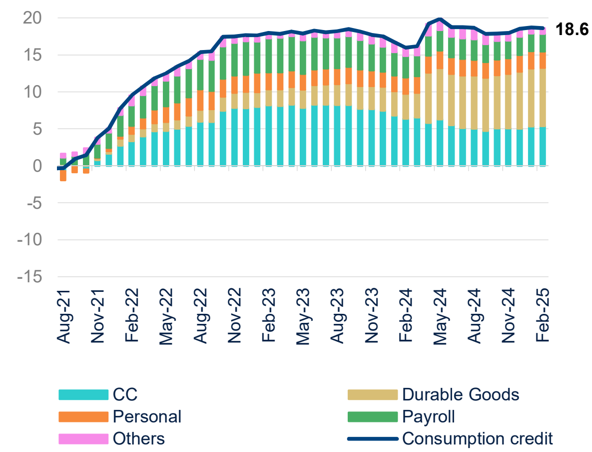
Loans: figures

Figure 5. **OUTSTANDING BANK LOANS TO THE NON-FINANCIAL PRIVATE SECTOR** (NOMINAL ANNUAL CHANGE, %)



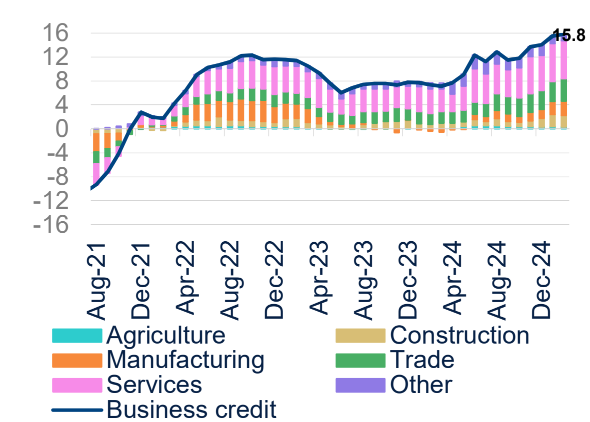
Source: BBVA Research based on Banxico data.

Figure 6. **OUTSTANDING CONSUMER LOANS** (NOMINAL ANNUAL CHANGE, %)



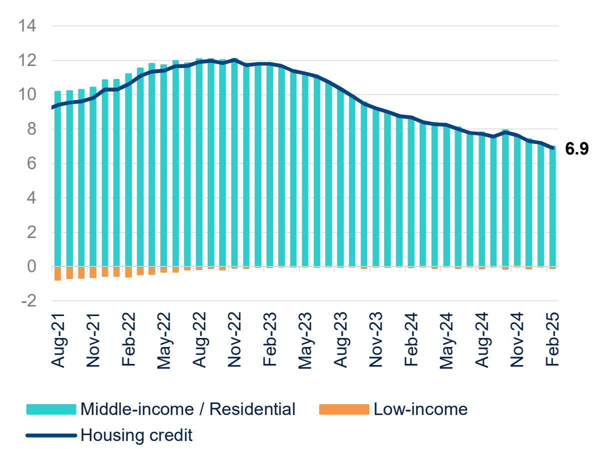
Source: BBVA Research based on Banxico data.

Figure 7. **OUTSTANDING BUSINESS LOANS** (NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research based on Banxico data.

Figure 8. **OUTSTANDING MORTGAGE LOANS** (NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research based on Banxico data.

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